

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 14 December 2022
Subject:	The Follow up of Audit Agreed Actions		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”.

For Sefton Council the follow up of agreed audit action plans includes the monitoring of progress of audit agreed actions through internal audit and periodically reporting progress to the Audit and Governance Committee.

This report summarises the current implementation position and arrangements for monitoring and reporting internal audit recommendations.

There has been considerable progress in the implementing of audit agreed actions which will improve the Council’s internal control framework and performance is above the industry benchmark of 65%.

A review of the outstanding actions from all audits between 2018/2019 to 2021/2022 financial years indicates that there continues to be some delays in progressing a proportion of the agreed actions across the Council. Of particular concern is the 2019/2020 performance where it could be expected that there would be a greater proportion of the agreed actions would be implemented at this point and a focus on the eight High priority agreed actions where the progress is considered to be outstanding. There is no doubt that the during the pandemic resource was focused on essential activities required to mitigate the effects on the Borough however we have left this period behind.

Members are invited to consider the overall performance for the completion of the actions is satisfactory, being above the benchmark, however, should be concerned by the small number of agreed actions where no response could be obtained from management and the eight High Priority agreed actions that are outstanding for 2018/2019.

Recommendation(s):

(1) Members are requested to note the progress outlined in the report.

Reasons for the Recommendation(s):

The report provides transparency on the progress in implementing known weaknesses in the Council’s control framework and provides assurance on an aspect of the Committee’s Terms of Reference.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs – There are no direct revenue costs from this monitoring report

(B) Capital Costs – There are no direct capital costs from this monitoring report

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): There are no direct resources implications from this report.	
Legal Implications: There are no legal implications	
Equality Implications: There are no equality implications.	
Climate Emergency Implications:	
The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
The report has a neutral impact as the report provides a monitoring position on the implementation of agreed audit actions by management. So far there are no climate change related agreed actions that have been highlighted in audits although this position is likely to change going forward.	

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Positive
Facilitate confident and resilient communities: Positive
Commission, broker and provide core services: Positive
Place – leadership and influencer: Positive
Drivers of change and reform: Positive
Facilitate sustainable economic prosperity: Positive
Greater income for social investment: Positive
Cleaner Greener: neutral

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD7037/22) and the Chief Legal and Democratic Officer (LD5237/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

Contact Officer:	David Eden
Telephone Number:	0151 934 4053
Email Address:	david.eden@sefton.gov.uk

Appendices: None

Background Papers:

There are no background papers available for inspection.

1. Background

- 1.1 In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”.
- 1.2 In the Audit and Governance Committee’s Terms of Reference presented to and approved by the Members in 16 March 2022 states;
“To consider reports from the head of internal audit on internal audit’s performance during the year, including the performance of external providers of internal audit services. These will include:
a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
b) regular reports on the results of the Quality Assurance Improvement Plan (QAIP)
c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Assurance Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS).
d) *to consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.*
- 1.3 The work plan for the Committee, approved 16 March 2022, details that a report will be provided annually to the Committee outlining the progress on the implementation of the agreed audit actions.
- 1.4 The standard practice for audits that are undertaken is that where control weaknesses are identified the weakness and the associated recommendation(s) are shared with the management team both verbally during the audit, at the closing meeting and in the draft report. The gradings for the risks are
- High** - A matter that is **fundamental** to the system under review. The recommendation should be addressed as a matter of urgency.
- Medium** - A matter that is **significant** to the system under review.
- Low** - A matter that **requires attention** and would improve the system under review.
- 1.5 Management are encouraged in this process to be aware of the issues early in the process which should enable them to consider how to implement the recommendation effectively in a cost effective, efficient and timely manner and finally when they receive the draft report to draft a formal response outlining their action and the timescale when the action will be implemented. The expectation is that management will when providing a response have consulted internally with other stakeholders on the practicality of the implementation and the timescales particularly where the recommendation relies on support from other teams.
- 1.6 The recommendation becomes an agreed action once the management provide a formal response outlining the action and the proposed completion date to the

weakness(es) that have been identified in the audit. The timing of the action should be linked to the risk rating of the agreed action for example high risk ideally should be completed within three to six months of the audit completing.

1.7 Internal Audit monitor the completion of the agreed actions and where appropriate obtain from management confirmation that the action has been completed as well as evidence on the following basis:

- **High** risk agreed actions - written confirmation action has been implemented as well as evidence in 100% of the actions.
- **Medium** risk agreed actions - written confirmation action has been implemented as well as evidence in a sample of the actions.
- **Low** risk agreed actions - written confirmation action has been implemented and obtain information at the next audit of the area.

1.8 Where the action has not been implemented, we will seek to obtain a revised completion date. We provide colleagues three opportunities to respond by email before escalating to the Audit and Governance Committee.

2. Action taken to provide report

2.1 We are reporting progress for the past four financial years including an update for all responses received from all Service Area up to and including 2 November 2022.

- 2018 - 2019
- 2019 - 2020
- 2020 – 2021
- 2021 – 2022

2.2 The below audits were excluded from this follow up exercise as they are being followed up individually and will be reported separately in March 2023.

- ASC Debt
- Framework for Change - Estate and Asset
- Framework for Change - Key Project Delivery
- Corporate Governance Review Agreed Actions

2.3 During the exercise to provide this report, Audit were informed that Children Centres no longer exist within Sefton as there were part of a large re-structure and merged with a number of other service areas to become Family Wellbeing Centres. Therefore, the agreed actions for the below Children Centre's were marked as closed.

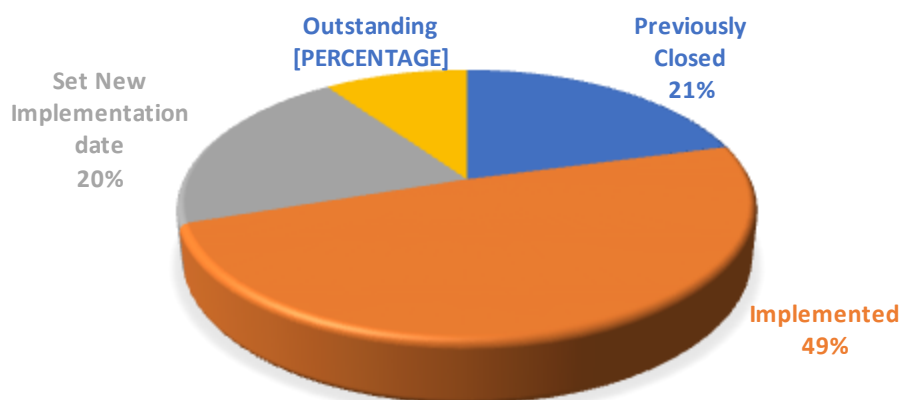
- Linaker Children's Centre
- Netherpton Children's Centre

2.4 Review of data shows that there are 351 agreed actions for the past four years, of which 73 (21%) were implemented during the previous follow up exercise. Since then, a further 172 (49%) agreed actions have been implemented and 72 (20%) agreed actions have been given a new implementation date. There are 34 (10%) agreed actions still outstanding where Audit team were unable to obtain an update from the department. This is illustrated in Table and Chart 1 below.

Table 1 – 2018/2019 – 2021/2022 Agreed Actions Status

Previously Closed	73
Implemented	172
Set New Implementation date	74
Outstanding	32
Total	351

Chart 1 – 2018/2019 – 2021/2022 Agreed Actions Status



2.5 Over the past four years there were 58 (16%) High priority agreed actions, of which 45 have been implemented. There were 210 (60%) Medium priority agreed actions, of which 142 have been implemented and there were 83 (24%) of low priority agreed actions, of which 58 have been implemented.

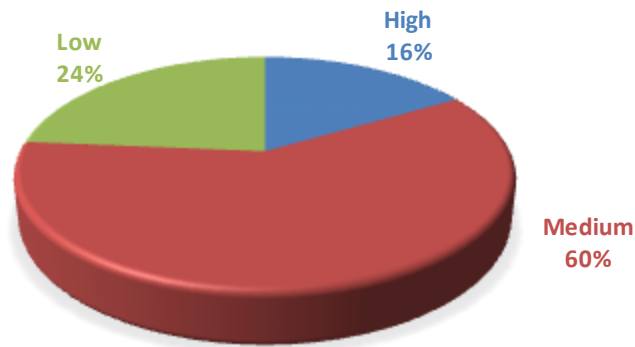
2.6 Table 2 illustrates the numbers of High, Medium and Low risk agreed actions for 2018/2019 – 2021/2022 financial years along with the status of whether outstanding or implemented.

Table 2 – 2018/2019 – 2021/2022 Agreed Actions Priority Status

Priority	Implemented	Outstanding	Total
High	45	13	58
Medium	142	68	210
Low	58	25	83
Total	245	106	351

2.7 Chart 2 illustrates the overall number of High, Medium and Low priority agreed actions for 2018/2019 – 2021/2022 financial years.

Chart 2 – 2018/2019 – 2021/2022 Agreed Actions Priority Status



3. 2018/2019 Financial Year

3.1 Review of data for financial year 2018/2019 shows that all High priority agreed actions have been implemented, 15 Medium priority agreed actions are outstanding, of which eight have been set a new implementation date. Six Low priority agreed actions are outstanding, of which four have been set a new implementation date.

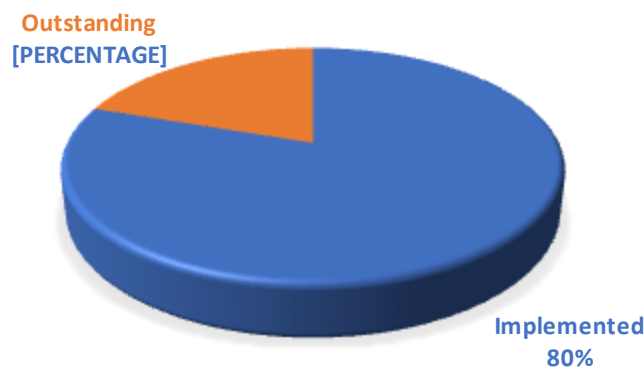
3.2 Table 3 illustrates the numbers of High, Medium and Low risk agreed actions for the 2018/2019 financial year along with the status of whether outstanding or implemented

Table 3 – 2018/2019 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	14	0	14
Medium	56	15	71
Low	15	6	21
Total	85	21	106

3.3 Chart 3 illustrates the overall number of implemented and outstanding agreed actions for the 2018/2019 financial

Chart 3 – 2018/2019 Agreed Actions Status



This analysis shows that 80% of agreed actions have been implemented and 20% of Medium and Low priority agreed actions are still outstanding.

4. 2019/2020 Financial Year

4.1 Review of data for financial year 2019/2020 shows that eight High priority agreed actions are outstanding, of which five have been set with a new implementation date. There are 30 Medium priority agreed actions, of which 16 have been set with a new implementation date and there are nine Low priority agreed actions, of which two have been set with a new implementation date.

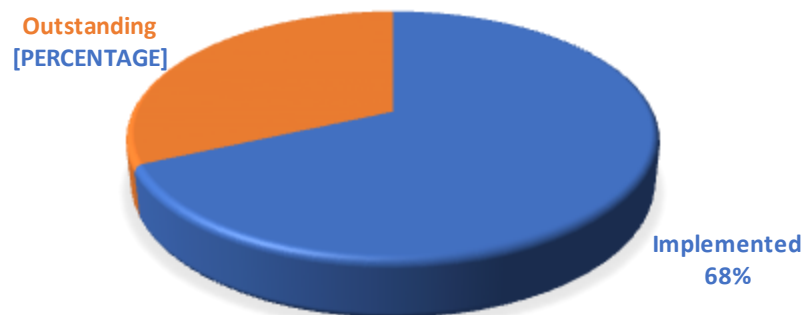
4.2 Table 4 illustrates the numbers of High, Medium and Low risk agreed actions for the 2019/2020 financial year along with the status of whether outstanding or implemented

Table 4 – 2019/2020 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	18	8	26
Medium	58	30	88
Low	28	9	37
Total	103	48	151

4.3 Chart 4 illustrates the overall number of implemented and outstanding agreed actions for the 2019/2020 financial year.

Chart 4 – 2019/2020 Agreed Actions Status



4.4 This analysis shows that 68% of agreed actions have been implemented and 32% of agreed actions are still outstanding.

5. 2020/2021 Financial Year

5.1 Review of data for financial year 2020/2021 shows that one High priority agreed actions is outstanding and has been set with a new implementation date. Two Medium priority agreed actions are outstanding with both having been set new implementation dates and there is no Low priority agreed actions outstanding.

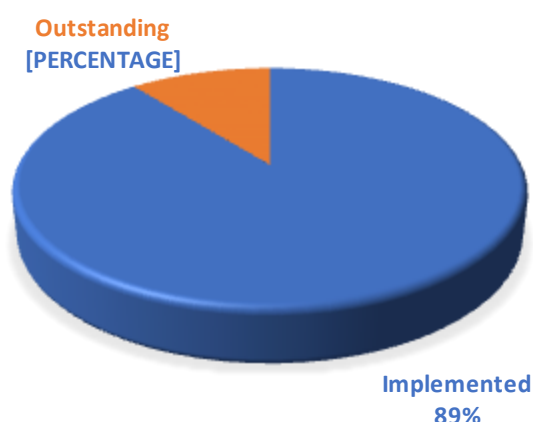
5.2 Table 5 illustrates the numbers of High, Medium and Low risk agreed actions for the 2020/2021 financial year along with the status of whether outstanding or implemented

Table 5 – 2020/2021 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	11	1	12
Medium	12	2	14
Low	2	0	2
Total	25	3	28

5.3 Chart 5 illustrates the overall number of implemented and outstanding agreed actions for the 2020/2021 financial year.

Chart 5 – 2020/2021 Agreed Actions Status



This analysis shows that 89% of agreed actions have been implemented and 11% of agreed actions are still outstanding.

6. 2021/2022 Financial Year

6.1 Review of data for financial year 2021/2022 shows that three High priority agreed actions, 21 Medium priority agreed actions and ten Low priority agreed actions have all been set with a new implementation date.

6.2 Table 6 illustrates the numbers of High, Medium and Low risk agreed actions for the 2021/2022 financial year along with the status of whether outstanding or implemented

Table 6 – 2021/2022 Agreed Actions Status

Priority	Implemented	Outstanding	Total
High	3	3	6
Medium	16	21	37
Low	13	10	23
Total	32	34	66

6.3 Graph 6 illustrates the overall number of implemented and outstanding agreed actions for the 2021/2022 financial year.

Chart 6 – 2021/2022 Agreed Actions Status

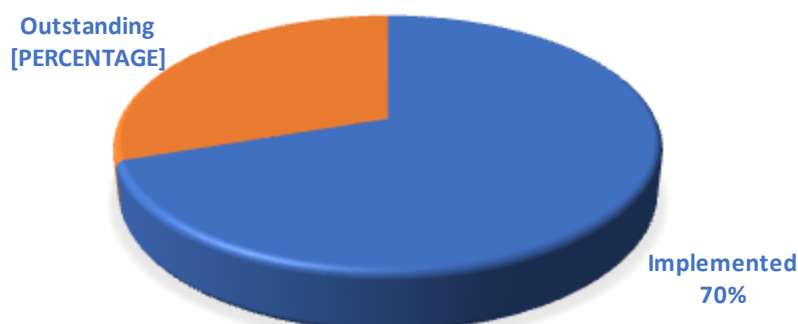


This analysis shows that 48% of agreed actions have been implemented and 52% of agreed actions are still outstanding.

7. Summary

- 7.1 Analysis of data shows that from a total of 351 agreed actions for 2018 – 2022 financial year, 245 (70%) of agreed actions have been implemented with 106 (30%) of agreed actions still outstanding. An industry benchmark is 65% of agreed actions should be implemented by the original date therefore the Council's performance is above the benchmark. This is illustrated in Chart 7 below.

Chart 7 - 2018 - 2022 Agreed Actions Status



- 7.2 The 30% of outstanding agreed actions includes 10% (32) of agreed actions where Audit team were unable to obtain a response from the Service Areas. This element of the performance is disappointing, our intention is to bring back a report in March 2023 outlining our progress to obtain a response, as well as the progress on the four audits detailed in 2.2.
- 7.3 A review of the outstanding actions from all audits between 2018/2019 to 2021/2022 financial years indicates that there continues to be some delays in progressing a proportion of the agreed actions across the Council. Of particular concern is the 2019/2020 performance where it could be expected that there would be a greater proportion of the agreed actions would be implemented at this point and a focus on the eight High priority agreed actions where the progress is considered to be outstanding. There is no doubt that the during the pandemic

resource was focused on essential activities required to mitigate the pandemic's effects on the Borough and less on the control improvements needed.

- 7.4 Audit have engaged with Services to understand the impact on timescales agreed and what the realistic, achievable revised dates for completion of actions is now likely to be. This work will continue, and the outcome will be shared with Audit and Governance Committee.
- 7.5 Members are invited to consider the overall performance for the completion of the actions is good, being above the benchmark. However, Members should be concerned by the small number of agreed actions where no response could be obtained from management and the eight High Priority agreed actions that are outstanding for 2019/2020 which we will bring forward with a detailed response at the meeting in March 2023.
- 7.6 We will continue to closely monitor the progress and report to the Committee regularly over the next financial year including a further update in March 2023 on the four audits we have not completed our follow up work on, the outstanding responses to the agreed actions and the eight High risk agreed actions from 2019/20. Should the position for the outstanding agreed actions not improve over the next financial year, we will work with management to ensure that there is suitable priority given to the outstanding actions.